

**Audit Committee
Meeting Minutes
February 14, 2014**

The Town of Bethany Beach Audit Committee held a meeting on Friday, February 14, 2014 at 10:00 a.m. in the Town Meeting Room, 214 Garfield Parkway, Bethany Beach, DE.

Members present: Patrick Sheplee, Chairman, who presided; Thomas Defibaugh, and Monte Wisbrock.

Also present: Finance Director, Janet Connery; Internal Auditor, Philip Rossi; Council persons, Jack Gordon, Jerry Dorfman, Joseph Healy, Lew Killmer, and Margaret Young; Public member, Bruce Frye; and Administrative Secretary, Lindsey Good.

Mr. Sheplee called the meeting to order at 10:00 a.m.

Approval of the Agenda

Mr. Wisbrock made a motion to approve the agenda. The motion was seconded by Mr. Defibaugh.

Mr. Defibaugh referenced agenda item V. *Discuss and recommend to Town Council the continuation of the appointment of TGM Group LLC as External Auditor*, and questioned if the decision has been pre-determined at a previous Committee meeting. Ms. Connery replied that the Committee decided that it will prefer to continue the appointment of the TGM Group LLC as the Town's external auditor, but the Committee needs to officially vote on this recommendation.

Hearing no further comments, Mr. Sheplee called for a vote on the motion. The motion was unanimously approved.

Approval of Minutes from the July 11, 2013 Meeting

Mr. Defibaugh made a motion to approve the minutes dated July 11, 2013. Mr. Wisbrock seconded the motion and it was unanimously approved.

Report from Internal Auditor

Mr. Rossi explained that he reviews the Bank Statements for the Town of Bethany Beach each month. He also reviews the Check History Summary Report that is provided by Ms. Connery. While reviewing the statements, he scans the checks to see who it is made out to and what the money amount is. He typically asks Ms. Connery for specific information on about fifty (50) checks and then completes an in-depth paper trail for a few of those checks that he had inquired about. Mr. Rossi stated that the same process is completed every month unless something unusual is identified.

Questions from Committee Members

Mr. Sheplee questioned if Town Council members are required to submit an expense report for reimbursements of Town-related conferences and other expenses, and if so, what the process is. Ms. Connery explained that each Council member has his or her own method of receiving

reimbursements for Town related functions. There is a form that can be submitted to the Town, a request can be sent by e-mail, or by any other way in writing. She noted that the expense for events that Council members attend is minimal.

Mr. Killmer added that when submitting a request for reimbursement, they must include name of the event that was attended, the purpose of the event, the number of miles traveled, any food and/or drinks that were purchased, and any overnight stay costs if applicable.

Mr. Gordon emphasized that all receipts of purchases must be submitted with the reimbursement request for verification purposes.

Mr. Defibaugh referenced *the Internal Audit Synopsis Conducted from January 2013 – December 2013* and recommended the following two (2) changes.

Page 3, Paragraph 3: *August 29, 2013. This is the continuation of the Parking Department review; which I started on March 21, 2013. As you are aware of the ~~employer~~ <employee> theft that occurred in August 2013, I reviewed the current parking department procedures and changes will be made in the coming months.*

Page 4, Paragraph 7: *It should be noted that a Delaware Council on Police Training was held in November 2013 at Bethany Beach. This hearing pertained to disciplinary action against a Bethany Beach Police Officer which was brought by the Bethany Beach Police Department's Internal Affairs Office. The Police Officer was suspended without pay or benefits. This is the Town ~~personal~~ <personnel> ~~mater~~ <matter>.*

Mr. Gordon referenced the theft by a former employee in August, and questioned if the internal auditor is going to review all areas of the internal controls over cash in the Town in great detail to prevent anything like this from happening again in the future. Mr. Rossi explained that the issue has been reviewed and resolved.

Mr. Sheplee asked what the issue was that enabled this theft to occur.

Ms. Connery stated that she would like to review the parking policies as a whole instead of focusing on this particular issue that took place. She explained that less cash is paid every year, since more people are using credit cards. She provided the following statistics:

- Non-parking payments are paid with ninety percent (90%) checks, ten percent (10%) credit cards, **0.2% cash**.
- Parking pay stations and meters are 68% credit cards and **32% cash**.
- Parking tickets are now 46% checks, 40% credit cards, **11% cash** and 3% collection agency.
- Annual parking permits are 83% checks, 12% credit cards and **5% cash**.

Ms. Connery explained that the Town recently completed a thorough review of the Finance Procedure and made changes to improve and tighten controls. These procedures are reviewed at least annually and provided to the Internal Auditor, External Auditor and affected employees.

Most of the recent changes were in updating the section on banking and on revised parking policies.

The main changes to parking policies were the following: 1.) Improve control over the administrative password to ensure that only the Parking Manager has the capability of voiding and deleting parking tickets in the computer system. 2.) Use pre-numbered logs for business parking permits, as the Town already does for daily/weekly permits, and reconciling the number of permit sales logged to cash and checks deposited. 3.) Control access to parking permits by storing them in the Parking Supervisor's safe, giving out batches of them as needed and tracking the permit number handed out.

The Internal Controls over cash received by trolley drivers and for moving violations were also discussed. Ms. Connery stated that the Town is always searching for ways to improve internal controls and continually expanding its policies and procedures to keep town funds as safe as reasonably possible.

Review and Discuss the Internal Audit Plan for Calendar Year 2014

The Committee discussed the Internal Audit Plan for 2014. Ms. Connery recommended to add the following two points under "Review receipts of revenue":

- Access receipt books currently in use and trace a sampling of receipts to bank deposits.
- Periodically request and review a report of deleted and voided parking tickets.

Mr. Sheplee made a motion to approve adding Ms. Connery's recommendations. The motion was seconded by Mr. Wisbrock and unanimously approved.

The Committee discussed the main focus points for the internal audit work in the coming year. It was decided to include in the Internal Audit Plan that the Internal Auditor, Mr. Rossi is to focus on cash receipts and the water tower project. Mr. Sheplee is going to modify the Internal Audit Plan to include these focus points.

Ms. Connery noted that the first purchase order threshold for managers was increased from \$200 to \$1,000, as the Committee recommended at previous meeting. She also mentioned that the capitalization threshold was increased from \$5,000 to \$10,000, so that now an equipment purchase for under \$10,000 will be expensed fully in the year of purchased rather than depreciated over its useful life.

Discuss and Recommend to Town Council the Continuation of the Appointment of TGM Group LLC as External Auditor

Mr. Sheplee explained that the TGM Group LLC is required to complete a Single Audit this year, as it was discussed at the previous meeting. A Single Audit requires more work to from the auditors, therefore it will cost an additional \$5,000.

Mr. Sheplee made a motion to recommend to Town Council the continuation of the appointment of TGM Group LLC as the external auditor. Mr. Wisbrock seconded the motion and it was unanimously approved.

Mr. Sheplee expressed his appreciation to Mr. Rossi and Ms. Connery for their outstanding work for the Town.

Adjourn

It was discussed that the next meeting will depend on the scheduling of the annual audit, which will most likely be on the first Friday in May (May 2nd) at 10:00 a.m.

Mr. Wisbrock made a motion to adjourn the meeting. The motion was seconded by Mr. Defibaugh and unanimously approved. The meeting was adjourned at 11:35 a.m.